

BURR OAK TOWNSHIP
(St. Joseph)
FINANCIAL STATEMENTS
75-1010
MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Burr Oak Township</u>		County <u>St. Joseph</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>September 28, 2004</u>	Date Accountant Report Submitted to State: <u>September 30, 2004</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <u>David F. Lacey, CPA, PC</u>			
Street Address <u>67036 N. M-66</u>		City <u>Sturgis</u>	State <u>MI</u>
Accountant Signature <u>David Lacey CPA</u>		ZIP <u>49091</u>	

TABLE OF CONTENTS

Independent Auditor's Report	3
Combined Balance Sheet - All Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Funds	8
Statement of Rev Actual - General Fund and Special Revenue Funds	9
NOTES TO FINANCIAL STATEMENTS	10 - 17
Statement of Revenues and Other Sources Budget and Actual - General Fund	18
Statement of Expenditures Budget and Actual - General Fund	19
Combining Balance Sheet - Special Revenue Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balance All Special Revenue Funds	21
Combining Balance Sheet - Trust and Agency Funds	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23

David F. Locey, CPA, PC

P.O. Box 7037
67036 N. M-66
Sturgis, MI 49091

(269)-651-4225 Phone
(269)-651-1989 Fax

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Burr Oak Township
Burr Oak, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Burr Oak, Michigan, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Burr Oak, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Township of Burr Oak, Michigan, as of March 31, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Burr Oak, Michigan as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "D. Locey", with a stylized flourish at the end.

David F. Locey, CPA, PC
Sturgis, Michigan
September 28, 2004

Burr Oak Township - St. Joseph County
Combined Balance Sheet
All Fund Types
March 31, 2004

	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Trust and Agency
ASSETS			
Cash	\$309,882	\$250,516	\$1,443
Due From State of Michigan	29,096	0	0
Due From General Fund	0	0	1,061
Property Tax Receivable	4,163	0	0
Property and Equipment at Cost No Allowance for Depreciation	0	0	0
Total Assets	<u>\$343,141</u>	<u>\$250,516</u>	<u>\$2,504</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	\$2,944	\$0	\$0
Due - Federal/State Taxes	0	769	2,456
Due Other Governmental Units	1,013	0	48
Total Liabilities	<u>3,957</u>	<u>769</u>	<u>2,504</u>
Fund Equity			
Unreserved--Undesignated	339,184	249,747	0
Investment in General Fixed Assets	0	0	0
Total Fund Equity	<u>339,184</u>	<u>249,747</u>	<u>0</u>
Total Liabilities and Fund Equity	<u>\$343,141</u>	<u>\$250,516</u>	<u>\$2,504</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

<u>Account Groups</u>	<u>Total (Memorandum Only)</u>
<u>General Fixed Assets</u>	<u>Reporting Entity</u>
\$0	\$561,841
0	29,096
0	1,061
0	4,163
<u>593,002</u>	<u>593,002</u>
<u><u>\$593,002</u></u>	<u><u>\$1,189,163</u></u>
\$0	\$2,944
0	3,225
<u>0</u>	<u>1,061</u>
<u>0</u>	<u>7,230</u>
0	588,931
<u>593,002</u>	<u>593,002</u>
<u>593,002</u>	<u>1,181,933</u>
<u><u>\$593,002</u></u>	<u><u>\$1,189,163</u></u>

Burr Oak Township - St. Joseph County
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All
Governmental Fund Types
For the Year Ended March 31, 2004

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes	\$45,287	\$0	\$45,287
Licenses and Permits	790	0	790
State Grants	135,082	12,236	147,318
Charges for Services	13,516	0	13,516
Interest	4,153	5,353	9,506
Other Revenue	4,207	20,806	25,013
Total Revenues	<u>203,035</u>	<u>38,395</u>	<u>241,430</u>
Expenditures			
Legislative	19,381	0	19,381
General Government	91,658	0	91,658
Public Safety	24,752	0	24,752
Public Works	45,964	29,098	75,062
Total Expenditures	<u>181,755</u>	<u>29,098</u>	<u>210,853</u>
Excess of Revenues Over (Under) Expenditures	<u>21,280</u>	<u>9,297</u>	<u>30,577</u>
Other Financing Sources (Uses)			
Operating Transfers In	15,564	33,000	48,564
Operating Transfers (Out)	(33,000)	(15,564)	(48,564)
Total Other Financing Sources (Uses)	<u>(17,436)</u>	<u>17,436</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>3,844</u>	<u>26,733</u>	<u>30,577</u>
Prior Period Adjustment	0	22,943	22,943
Fund Balance - Beginning	<u>335,340</u>	<u>200,071</u>	<u>535,411</u>
Fund Balance - Ending	<u><u>\$339,184</u></u>	<u><u>\$249,747</u></u>	<u><u>\$588,931</u></u>

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township - St. Joseph County
Statement of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual
General Fund
For the Year Ended March 31, 2004

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$37,500	\$45,287	\$7,787
Licenses and Permits	850	790	(60)
State Grants	150,000	135,082	(14,918)
Charge for Services	12,000	13,516	1,516
Interest	5,000	4,153	(847)
Other Revenue	2,800	4,207	1,407
Total Revenue	208,150	203,035	(5,115)
Expenditures			
Legislative	43,000	19,381	23,619
General Government	134,800	91,658	43,142
Public Safety	42,000	24,752	17,248
Public Works	87,000	45,964	41,036
Total Expenditures	306,800	181,755	125,045
Excess of Revenues Over (Under) Expenditures	(98,650)	21,280	119,930
Other Financing Sources (Uses)			
Operating Transfers In	2,000	15,564	13,564
Operating Transfers (Out)	(27,000)	(33,000)	(6,000)
Total Other Financing Sources (Uses)	(25,000)	(17,436)	7,564
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(123,650)	3,844	127,494
Fund Balance - Beginning	335,340	335,340	0
Fund Balance - Ending	\$211,690	\$339,184	\$127,494

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township - St. Joseph County
Statement of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual
Special Revenue Funds
For the Year Ended March 31, 2004

	SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$5,353	\$5,353	\$0
Special Project	0	0	0
State Grants	12,236	12,236	0
Other Revenue	20,806	20,806	0
Total Revenue	38,395	38,395	0
Expenditures			
Public Works	29,098	29,098	0
Total Expenditures	29,098	29,098	0
Excess of Revenues Over (Under) Expenditures	9,297	9,297	0
Other Financing Sources (Uses)			
Operating Transfers In	33,000	33,000	0
Operating Transfers (Out)	(15,564)	(15,564)	0
Total Other Financing Sources (Uses)	17,436	17,436	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,733	26,733	0
Prior Period Adjustment	0	22,943	22,943
Fund Balance - Beginning	200,071	200,071	0
Fund Balance - Ending	\$226,804	\$249,747	\$22,943

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township - St. Joseph County
Statement of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual
General Fund And Special Revenue Funds
For the Year Ended March 31, 2004

	TOTAL		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$37,500	\$45,287	\$7,787
Licenses and Permits	850	790	(60)
State Grants	162,236	147,318	(14,918)
Charge for Services	12,000	13,516	1,516
Interest	10,353	9,506	(847)
Other Revenue	23,606	25,013	1,407
Total Revenue	246,545	241,430	(5,115)
Expenditures			
Legislative	43,000	19,381	23,619
General Government	134,800	91,658	43,142
Public Safety	42,000	24,752	17,248
Public Works	116,098	75,062	41,036
Total Expenditures	335,898	210,853	125,045
Excess of Revenues Over (Under) Expenditures	(89,353)	30,577	119,930
Other Financing Sources (Uses)			
Operating Transfers In	35,000	48,564	13,564
Operating Transfers (Out)	(42,564)	(48,564)	(6,000)
Total Other Financing Sources (Uses)	(7,564)	0	7,564
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(96,917)	30,577	127,494
Prior Period Adjustment	0	22,943	22,943
Fund Balance - Beginning	535,411	535,411	0
Fund Balance - Ending	\$438,494	\$588,931	\$150,437

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Burr Oak Township is located in St. Joseph County and provides services in many areas including public safety, highways and streets, and general administrative services. The Township is governed by a five-member board elected by the citizens of Burr Oak Township. The board consists of the supervisor, clerk, treasurer, and two trustees who reside in the community.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (the primary government) and its component units (none). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included.

Joint Venture

The Township is a member of the Burr Oak Fire Department: a joint venture of the Village of Burr Oak and the Township of Burr Oak was formed to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities that take into account their respective population and number of fire calls. The Burr Oak Fire Department is managed by a board which consists of members from each participating municipality. The board adopts the department's budget and controls its financing.

Summary financial information of Burr Oak Fire Department is not available.

Information on the complete financial statements for the Burr Oak Fire Department can be obtained from the Burr Oak Fire Department, 208 Front Street, Burr Oak, Michigan.

BASIS OF PRESENTATION

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

GOVERNMENTAL FUNDS TYPES

General Fund – This fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from State Revenue Sharing distributions.

Special Revenue Funds – These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Funds – These are used for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

GOVERNMENTAL FUNDS

All governmental funds utilize the modified accrual basis of accounting which provides that revenues be recorded when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred.

FIDUCIARY FUNDS

The fiduciary funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

BUDGET AND BUDGETARY ACCOUNTING

The annual budget is prepared by the Township Board and adopted by the Township Board at the annual public hearing. All subsequent amendments to the budget are approved by the Township Board. The General Fund and Special Revenues Funds are under formal budgetary control. The budget has been prepared in accordance with generally accepted accounting principles. The budget has been adopted on an activity basis.

Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted.

BUDGET VIOLATIONS

Public Act 621 of 1978, Section 18 (1), as amended, requires the adoption of a balanced budget for the General Fund, as well as budget amendments as needed to prevent actual expenditures from exceeding those amounts appropriated.

No expenditures exceeded budgeted amounts after any amendments to budget.

FUND EQUITY

The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

REVENUE RECOGNITION

The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003, based on the assessments made the previous December 31. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Township's operations. Property taxes are recognized when levied since the County purchases the delinquent taxes each year.

TOTAL COLUMN ON COMBINED STATEMENTS -OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund elimination's have not been made in the aggregation of this data.

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Deposits

The Township's policies regarding deposits of cash are discussed below. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2004. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the Township or its agent in its name

Category 2-Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral Agreement

Type of Deposits	Total Bank Balance	Custody 1	Credit Risk 2	Category 3	Total Carrying Value
Demand deposits	<u>\$561,841</u>	<u>\$100,000</u>	<u>\$ 0</u>	<u>\$461,841</u>	<u>\$561,841</u>
Total Deposits	<u>\$561,841</u>	<u>\$100,000</u>	<u>\$ 0</u>	<u>\$461,841</u>	<u>\$561,841</u>

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

COMPENSATED ABSENCE

None.

POST EMPLOYMENT BENEFITS

The Township adopted a Section 457 Retirement Plan on 10/15/91.

Eligibility: An employee or independent contractor of the Township, who earns more than \$100 per calendar year.

Employee/Contractor contribution: An employee/contractor may enter into the program by agreeing to contribute from 4.03% of their compensation to 25% of their compensation (the maximum shall be reduced by any contribution made by the Township). The employee's contribution shall be effective, the first of the month, following such election. The election may be changed, on the first of any month, by filing the appropriate form with the Township Clerk, prior to the month the effects shall take place.

Township Contributions: The Township will contribute for each employee that is not covered by the Township's 218 (Social Security) Agreement, 3.75% of pay. The effect of the employee's and Township's contribution is to satisfy the required 7 ½% of total compensation retirement contribution necessary to meet the Social Security OAS & D substitute requirements. Employees who are covered by Social Security will not receive any Township contributions.

Vesting: All monies contributed by the employer/contractor and Township contributions will be 100% vested at all times.

Funding: All employee and Township contributions (except de minimus amounts) shall be paid into a variable annuity contract issued by Northwestern Mutual Life Insurance Company. Payments shall be made quarterly providing a minimum of \$25 deposit (employee and Township combined).

Payment Commencement Date: The employee may have the annuity contract begin benefit payments upon the later of the following:

1. separation of employment (or contractual agreement) with the Township
2. retirement (no later than age 70)
3. death
4. unforeseen financial emergency

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

POST EMPLOYMENT BENEFITS (CONT'D)

Methods of Payment: The employee or beneficiary may elect any of the following distribution payments:

1. equal payments for life
2. equal payments for a specified period of time (5 years, 10 years, etc.)
3. equal payments over the employee's life and the life of a spouse or contingent annuitant.
4. lump-sum (if monies are withdrawn before eight years or not on account of the death of the employee/contractor a reducing surrender charges will be made)

Limitations and Regulations: Notwithstanding anything contained herein to the contrary, the Plan shall be subject to the limitations, regulations, and provisions of Internal Revenue Code Section 457.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has participated in the Michigan Township Participating Plan (MTPP) since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MTPP was created pursuant to the authority of a) Article 7, Section 28, Michigan Constitution of 1963; b) Section 1, Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Township voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

The Michigan Township Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

RISK MANAGEMENT (CONT'D)

activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTPP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself by purchasing reinsurance. Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverage's 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The Plan has reinsured 100 percent of its loss reserves and consequently has not reflected a liability for loss reserves on its balance sheet. In July 1992, the Plan entered into a negotiated settlement with Governmental Casualty Insurance Company (GCIC) and agreed to execute a commutation agreement whereby liability for all risks assumed by GCIC under their reinsurance agreements with the plan would be commuted back to the Plan. The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTPP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

<u>Case Loss Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
\$313,550	\$31,252	\$344,802

Burr Oak Township
Notes to Financial Statements
For the Year Ended March 31, 2004

RISK MANAGEMENT (CONT'D)

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

GENERAL FIXED ASSETS ACCOUNT GROUP

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in general fixed assets account group, rather than in governmental funds. Assets are stated at cost or market value at the date of original acquisition. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized. The Township has not maintained a record of its general fixed assets.

GASB 34 REPORTING FINANCIAL

The Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/04, also no current charge is being recorded for current year depreciation. Accordingly, the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Burr Oak Township - St. Joseph County
Statement of Revenues And Other Sources Budget And Actual - General Fund
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes			
Current Property Taxes	\$33,000	\$41,024	\$8,024
Delinquent Property Taxes	4,500	4,263	(237)
Total Property Taxes	37,500	45,287	7,787
Licenses and Permits			
Zoning Permits	750	718	(32)
Dog License	100	72	(28)
Total Licenses and Permits	850	790	(60)
State Aid	150,000	135,082	(14,918)
Total State Aid	150,000	135,082	(14,918)
Charge for Services			
Cemetery Lots/Vault/Foundation	12,000	13,516	1,516
Total Charge for Services	12,000	13,516	1,516
Interest	5,000	4,153	(847)
Total Interest	5,000	4,153	(847)
Other Revenue			
Rent	0	0	0
Miscellaneous - Other Revenue	2,800	4,207	1,407
Total Other Revenue	2,800	4,207	1,407
Total Revenue	208,150	203,035	(5,115)
Other Financing Sources			
Operating Transfers In	2,000	15,564	13,564
Total Other Financing Sources	2,000	15,564	13,564
Total Revenue and Other Sources	<u>\$210,150</u>	<u>\$218,599</u>	<u>\$8,449</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township - St. Joseph County
Statement of Expenditures Budget And Actual - General Fund
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$43,000	\$19,381	\$23,619
Total Legislative	43,000	19,381	23,619
General Government			
Supervisor	8,800	6,733	2,067
Elections	2,000	0	2,000
Assessor	25,000	19,878	5,122
Township Hall	6,500	3,691	2,809
Clerk	10,500	8,949	1,551
Board of Review	1,200	455	745
Treasurer	12,300	10,735	1,565
Cemetery	51,500	34,800	16,700
Trustees	3,000	2,100	900
Library	14,000	4,317	9,683
Total General Government	134,800	91,658	43,142
Public Safety			
Ambulance	0	0	0
Fire Protection	27,000	13,400	13,600
Planning Commission-Board of Appeals	15,000	11,352	3,648
Total Public Safety	42,000	24,752	17,248
Public Works			
Road Construction	87,000	45,964	41,036
Total Public Works	87,000	45,964	41,036
Total Expenditures	306,800	181,755	125,045
Other financing Uses			
Operating Transfer Out	(27,000)	(33,000)	(6,000)
Total Other Financing Uses	(27,000)	(33,000)	(6,000)
Total Expenditures and Other Uses	\$333,800	\$214,755	\$119,045

The Notes to the Financial Statements are an Integral Part of This Statement.

Burr Oak Township - St. Joseph County
Combining Balance Sheet - Special Revenue Funds
March 31, 2004

	<u>Library Fund</u>	<u>Building Fund</u>	<u>Fire Fund</u>
ASSETS			
Cash and Interest Bearing Deposits	<u>\$64,784</u>	<u>\$98,190</u>	<u>\$87,542</u>
Total Assets	<u><u>\$64,784</u></u>	<u><u>\$98,190</u></u>	<u><u>\$87,542</u></u>
LIABILITIES AND FUND EQUITY			
Accrued Taxes	\$769	\$0	\$0
Fund Equity	<u>64,015</u>	<u>98,190</u>	<u>87,542</u>
Total Liabilities and Fund Equity	<u><u>\$64,784</u></u>	<u><u>\$98,190</u></u>	<u><u>\$87,542</u></u>

The Notes to the Finanacial Statements are an Integral Part of This Statement.

<u>Leverance Road</u>	<u>Total</u>
<u>\$0</u>	<u>\$250,516</u>
<u><u>\$0</u></u>	<u><u>\$250,516</u></u>

<u>\$0</u>	<u>\$769</u>
<u>0</u>	<u>249,747</u>
<u><u>\$0</u></u>	<u><u>\$250,516</u></u>

Burr Oak Township - St. Joseph County
Statement of Revenues, Expenditures And Changes In Fund Balance
All Special Revenue Funds
For the Year Ended March 31, 2004

	Library Fund	Building Fund	Fire
Revenues			
Interest	\$1,644	\$1,812	\$1,883
Special Project	0	0	0
State Grants	12,236	0	0
Other Revenue	5,256	0	0
	<u>19,136</u>	<u>1,812</u>	<u>1,883</u>
Total Revenue			
Expenditures			
Public Works	29,098	0	0
	<u>29,098</u>	<u>0</u>	<u>0</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	(9,962)	1,812	1,883
Other Financing Sources (Uses)			
Transfers In - General Fund - Other	13,000	10,000	10,000
Transfer Out - General Fund	0	0	0
	<u>13,000</u>	<u>10,000</u>	<u>10,000</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,038	11,812	11,883
Prior Period Adjustment	22,943	0	0
Fund Balance - Beginning	38,034	86,378	75,659
	<u>38,034</u>	<u>86,378</u>	<u>75,659</u>
Fund Balance - Ending	<u>\$64,015</u>	<u>\$98,190</u>	<u>\$87,542</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

<u>Leverance Road</u>	<u>Total</u>
\$14	\$5,353
0	0
0	12,236
<u>15,550</u>	<u>20,806</u>
15,564	38,395
0	29,098
<u>0</u>	<u>29,098</u>
15,564	9,297
0	33,000
<u>(15,564)</u>	<u>(15,564)</u>
<u>(15,564)</u>	<u>17,436</u>
0	26,733
0	22,943
<u>0</u>	<u>200,071</u>
<u>\$0</u>	<u>\$249,747</u>

Burr Oak Township - St. Joseph County
Combining Balance Sheet - Trust And Agency Funds
March 31, 2004

	<u>AGENCY FUNDS</u>		
	<u>Trust and Agency</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and Interest-Bearing Deposits	\$1,443	\$0	\$1,443
Due from General Fund	<u>1,061</u>	<u>0</u>	<u>1,061</u>
Total Assets	<u>\$2,504</u>	<u>\$0</u>	<u>\$2,504</u>
LIABILITIES AND FUND EQUITY			
Due - General Fund	\$48	\$0	\$48
Due - Federal & State Government	<u>2,456</u>	<u>0</u>	<u>2,456</u>
Total Liabilities	<u>2,504</u>	<u>0</u>	<u>2,504</u>
Fund Equity	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Equity	<u>\$2,504</u>	<u>\$0</u>	<u>\$2,504</u>

Phone (616) 651-4225
Fax (616) 651-1989

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township of Burr Oak Board
Burr Oak, Michigan

We have audited the general purpose financial statements of the Township of Burr Oak, as of and for the year ended March 31, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Burr Oak's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

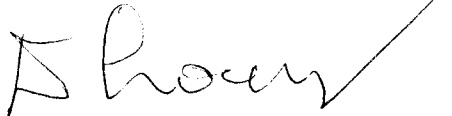
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Burr Oak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in dark ink, appearing to read "D. Lochey", with a long, sweeping horizontal stroke extending to the right.

Sturgis, Michigan
September 28, 2004

David F. Locey, CPA, PC

P.O. Box 7037
67036 N. M-66
Sturgis, MI 49091

(269)-651-4225 Phone
(269)-651-1989 Fax

COMMENTS AND RECOMMENDATIONS

To the Township Board
Burr Oak Township
Burr Oak, Michigan

Overall, the condition of the records for Burr Oak Township for the fiscal year ended March 31, 2004 were good.

Improvements in the record keeping of the cemetery fund should be made. All activity for the cemetery, including lot sales and interest income should be posted to the general ledger monthly rather than recapped and adjusted at the end of the year.

Implementing a computer spreadsheet for the library's checking account has made their records much better. The same should be considered for the library's savings account, this would eliminate creating the records at the end of the fiscal year and would give you more accurate financial information.

Century Bank and Trust in Coldwater performed the bank confirmations this year rather than the Sturgis Branch. The bank informed us of four more certificates of deposits, one checking account and one savings account in the Burr Oak Township Library's name that we had no record of. All of these funds need to be in the financial reporting. The opening of these accounts ranged in date from 1996 to 2000. This created an adjustment of \$22,943.49 to the prior year's fund balance.

As stated above, the records overall are in good shape. We appreciate your cooperation and have enjoyed working with you in the course of the audit. We look forward to future engagements with your Township.

DAVID F. LOCEY, CPA, PC
September 28, 2004

